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COMMITTEES

HEALTH & WELFARE

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## House of Representatives State of Idaho

October 21, 2004

Mr. Chairman and members of the committee, thank you for inviting me to appear today to discuss the vital issues of long term care for the aged and disabled, as well as health care in general. I am representing legislative district 32 in the state of Idaho, and serve on the House Health & Welfare Committee.

First, I would like to discuss my growing concern about the changing demographics of our country, the impending demands that the retirement of the baby boom generation will place on our social welfare programs, and the burden which will be placed on the future generation of America, our children. One of the great challenges in America's future is to retire the "baby boomers" without bankrupting the country or unduly burdening future generations.

### **Changing Demographics (see chart)**

Americans are living longer. In 1900, the average life expectancy was 47.3 years; by 2000, the average life expectancy was 76 years. In 2000, 13% of the population was over 65 years of age. By 2030, it is estimated that 20% of our population will be over 65 years of age. It is expected that the number of people living in long-term care facilities will double or triple by 2030.

Older Americans are living longer as modern medicine performs its miracles. The fastest growing demographic cohort is people over 100 years. America is expected to double the percentage of people over 85 between 1990 and 2030.

A drop in the birth rate. In 1957, the average woman would bear 3.8 children. Today, she has 2.0. During the last half of the twentieth century, a large generation was followed by a smaller generation.

Younger workers will be called on for larger and larger financial contributions on behalf of older nonworkers. Most of our social programs were designed assuming a growing number of children and an average longevity. These new demographics require us to reform the social programs built on old demographic assumptions. The baby boomers will begin to retire within the next five to ten years. In this time, there will be more than 3.0 covered workers for each OASDI beneficiary. By 2025, this ratio is predicted to be down to 2.25. "This dramatic demographic change is certain to place enormous demands on our nation's resources-

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demands we almost surely will be unable to meet unless action is taken."\*

### **The challenge of long term care in Idaho**

In 13 of the past 20 years, the Medicaid budget has grown at double digit increases. Medicaid spending as a percentage of the state budget has grown from 4.11% in 1983 to 12.3 % in 2003, outstripping any growth in public education and higher education. The cost of long term care is the third highest expenditure in the Medicaid budget. This trend is likely to continue with the changing demographics of the population. Long term care costs need to be controlled.

- keep people healthy and out of long term care facilities as long as possible.
- keep residents of long term care facilities safe.
- keep residents of long term care facilities healthy. (encourage wellness programs)
- establish different levels of care, with corresponding levels of regulation, for home/community based services and assisted living facilities. Private enterprise will play an important role in dealing with this challenge. Regulation of these facilities should not be burdensome.

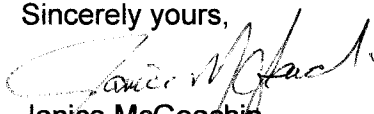
Allow all states to participate in Long Term Care Partnership Plans by amending Section 1917(b)(1)(C) of the Social Security Act by deleting May 14, 1993 as the deadline for approval for these plans. Senator Larry Craig (Idaho) has introduced this proposal as S2077, which is waiting for action in the Finance Committee. Partnership policies allow people to preserve their life savings and help encourage them to purchase long term care insurance rather than relying on the government. This will help to eliminate a strategy called Medicaid planning, which allows individuals to shelter money in order to qualify for Medicaid. Long Term Care Partnership Plans reduce the growth of Medicaid expenditures because private insurance pays first, the government pays last. The four states which are currently allowed to participate in these plans have expanded the market for long term care insurance, and have a proven record of keeping more individuals off Medicaid.

Last year, Idaho allowed 100% deductibility of long term care insurance premiums.

### **Health care costs need to be controlled**

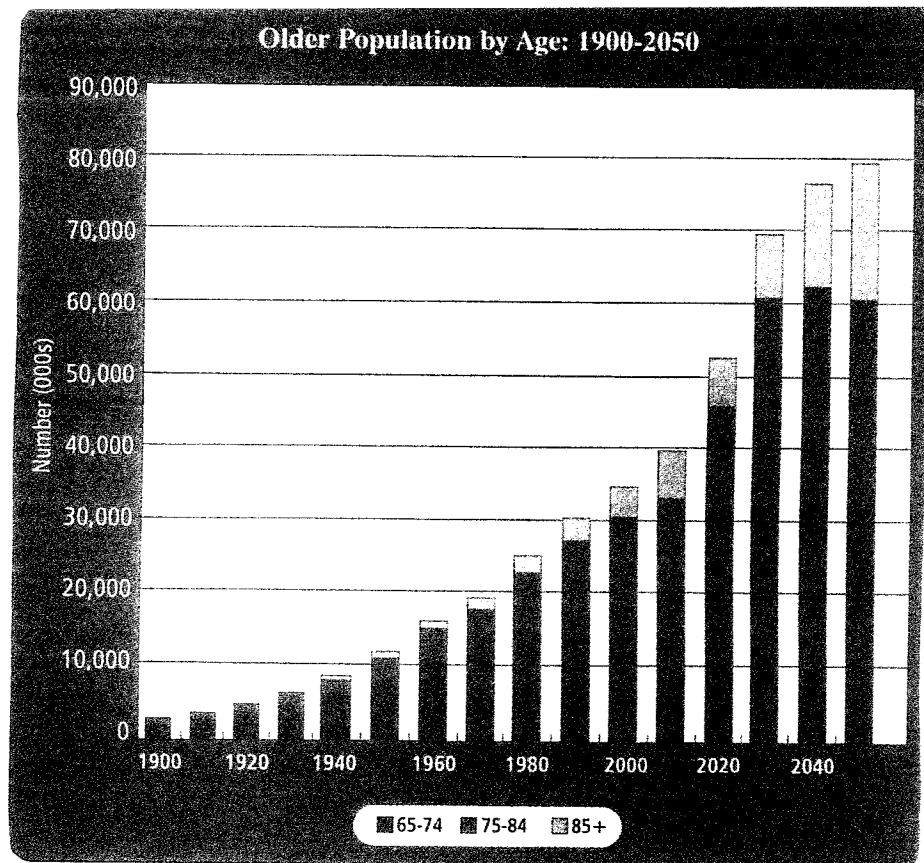
- the consumer needs to be more involved in the financial decisions. (co-pays, Health Savings Accounts, consumer-directed care, full disclosure on the cost of medical services)
- money should be spent on targeted, proven-effective, preventative care. (drug courts, disease management)
- make better use of technology in medical care. (digital medical records)
- protect privacy, but allow access to information for scientific decision making.
- encourage/reward healthy lifestyles, including proper nutrition and exercise.

Sincerely yours,



Janice McGeachin  
Representative

\*Alan Greenspan, US Congress testimony (2004)



*Chart developed by the U.S. Administration on Aging based on Census Bureau data.*